OTHER TECHNICAL PRESENTATIONS

17. TRUST FUNDS AND FEDERAL FUNDS

The budget consists of two major groups of funds: Federal funds and trust funds. This section presents summary information about the transactions of each fund group and of the major trust funds. It also discusses the relationship between the trust funds surplus and the Federal deficit, and the meaning of the large and growing trust funds balance. Information about the income and outgo of four Federal funds that are financed by earmarked collections similar to trust funds is also provided.

Federal Funds Group

The Federal funds group comprises the larger part of the budget. It includes all transactions not classified by law as being in trust funds.

The main financing component of the Federal funds group is the general fund, which is used to carry out the general purposes of Government rather than being restricted by law to a specific program. It consists of all collections not earmarked by law to finance other funds, including virtually all income taxes and many excise taxes, and all expenditures financed by these collections and by general Treasury borrowing.

The Federal funds group also includes special funds and revolving funds, which are similar to trust funds in that their spending is financed by earmarked collections. Where the law requires that Federal fund collections from a specified source be earmarked to finance a particular program, such as the license fees deposited into the land and water conservation fund, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of being deposited in receipt accounts, their proceeds are recorded as offsets to outlays within the funds' expenditure accounts, so that outlays are reported net of collections. These collections generally are available automatically for obligation and making payments. There are two classes of revolving funds. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. They are usually financed by earmarked collections. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway construction, and airport and airway development. Trust funds also include a few small funds established to carry out the terms of a conditional gift, bequest, or court settlement.

Whether a particular fund is designated as a trust fund is, in many cases, arbitrary. Congress has not followed a systematic rule. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance benefits to veterans.[1]

The Federal budget meaning of the term "trust" differs significantly from its private sector usage. The beneficiary of a private trust owns the trust's income and often its assets. A custodian manages the assets on behalf of the beneficiary according to the stipulations of the trust, which he cannot change unilaterally. In contrast, the Federal Government owns the assets and earnings of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purpose for which the collections are used, by changing existing law. Only a few small Federal trust funds are managed pursuant to a trust agreement where the Government is the trustee, and the Government generally has some ability to determine the amount deposited into or paid out of these funds. Other amounts are held in deposit funds by the Government as a custodian on behalf of some entity outside the Government. The Government makes no decisions about the amount of these deposits or how they are spent. Therefore, they are not considered to be Federal trust funds and are excluded from the budget.

A trust fund must use its income for the purposes designated by law. Some, such as the Federal Employees Health Benefits fund, spend their income almost as quickly as it is collected. Others, such as the Social Security and the Federal civilian employees retirement trust funds, currently spend considerably less than they collect each year. A surplus of income over outgo adds to the trust fund's balance, which is available to finance future expenditures. The balances are generally invested, by law, in Treasury debt securities. Any net cash inflow from the public to the trust funds decreases

[1] Another example is the Violent Crime Reduction Trust Fund, established pursuant to the Violent Crime Control and Law Enforcement Act of 1994. Because the Fund is substantively a means of accounting for general fund appropriations, and does not consist of dedicated receipts, it is classified as a Federal fund rather than a trust fund.

the Treasury's need to borrow from the public in order to finance the Federal funds deficit.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds are established by law as revolving funds. These funds are similar to revolving funds in the Federal funds group. They conduct a cycle of business-type operations, and their outlays are displayed net of collections in a single expenditure account.

Income and Outgo by Fund Group

Table 17–1 shows income, outgo, and surplus or deficit by fund group and adds them to derive the total unified budget receipts, outlays, and surplus or deficit. The estimates assume enactment of the President's budget proposals. Income consists mostly of governmental receipts (primarily income, payroll, and excise taxes). It also includes proprietary receipts (derived from business-like transactions with the public) and interfund collections (receipts by one fund of payments from a fund in the other fund group) that are deposited in receipt accounts. Outgo consists of payments made to the public and/or to a fund in the other fund group.

Two types of transactions are treated specially. First, income and outgo for a fund group exclude transactions between funds within the same fund group.[2] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments. However, because the totals for each fund group measure its transactions with the public and the other fund group, intrafund transactions must be subtracted from the sum of the income and outgo of all individual funds within the fund group to calculate income and outgo for the fund group as a whole. Second, income excludes collections that, by law, are offset against outgo in expenditure accounts instead of being deposited in receipt accounts.[3] It would be conceptually appropriate to classify these collections as income, but at present the data are not tabulated centrally for both fund groups. Consequently, they are offset against outgo in Table 17–1 and are not shown separately.

Some funds in the Federal funds group and some trust funds are authorized to borrow from the general fund of the Treasury.[4] Borrowed funds are not recorded as receipts and are excluded from the income of the fund. The borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund outgo. Prior to this budget, trust fund borrowing was included in Federal fund outgo (as a payment from the general fund) and trust fund income, and the repayments were included in trust fund outgo and Federal fund income (as a general fund receipt). The treatment of trust fund borrowing and repayment has been revised to make it parallel to the treatment of borrowing by Federal fund accounts from the general fund, borrowing by the general fund from Government accounts (including trust funds), and borrowing by the Government from the public.

In order to derive unified budget receipts and outlays, Table 17–1 adds Federal funds and trust funds income and outgo, respectively, and subtracts offsetting receipts from each. Offsetting receipts are income for the fund group that receives them, but instead of being part of receipts in the unified budget, they are deposited in receipt accounts and are offset against outgo to calculate unified budget outlays. The reason for this is twofold.

- Offsetting receipts from the public.—Unified budget receipts measure the amount of collections raised by the Government in its sovereign capacity, and unified budget outlays measure the amount of resources allocated by the Government in a non-market capacity. These are calculated by subtracting voluntary business-like collections from the public from the income and outgo of the fund groups, respectively.
- Offsetting receipts from other fund groups.—Unified budget receipts and outlays measure the Government's net transactions with the public. These are calculated by subtracting interfund receipts from income and outgo.

Which Fund Group is Responsible for the Unified Budget Deficit?

In 1996, trust fund income exceeded outgo by $115 billion. This surplus partially offset the need for the Government to borrow from the public to finance the $222 billion Federal funds deficit. The sum of the trust fund surplus and the Federal fund deficit equals the unified deficit, which was $107 billion. This pattern has persisted for the past 3½ decades. As shown in Table 17–1, it is expected to continue, although the President's proposal to balance the unified budget by 2002 would sharply cut the Federal funds deficit.

The combination of large and growing trust fund surpluses and even larger Federal fund deficits, has led to claims and counterclaims about the causes of the unified deficit, and by implication, which part of the budget should be the focus of deficit-reduction efforts. The two main views are illustrated by the contrary positions expressed in reports issued by two Congressional branch agencies—the Congressional Research Service (CRS) and the General Accounting Office (GAO).

> CRS: "The treatment of trust fund programs in the Federal budget is complicated and confusing. As a result, the impact of these programs on the financial condition of the Government is often misunderstood. Perhaps the biggest misconcep-

[2] For example, the railroad retirement trust funds pay the equivalent of social security benefits to railroad retirees, in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance Trust fund to the railroad retirement trust funds. The payment and collection are deducted so that total trust fund income and outgo measure disbursements to the public and to Federal funds.

[3] For example, postage stamp fees are deposited as offsetting collections in the Postal Service fund. As a result, the Fund's outgo is disbursements net of collections.

[4] For example, the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund, and the Black Lung Disability Trust Fund in the Department of Labor is authorized to receive appropriations of repayable advances from the general fund (a form of borrowing).

Table 17–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Receipts:							
Federal funds cash income:							
From the public	936.2	971.3	1,018.8	1,060.3	1,116.9	1,173.2	1,251.4
From trust funds	3.7	1.0	1.1	1.1	1.1	1.7	1.2
Total, Federal funds cash income	940.0	972.3	1,019.9	1,061.4	1,118.0	1,174.9	1,252.5
Trust funds cash income:							
From the public	575.8	603.7	630.7	653.3	684.3	714.9	749.0
From Federal funds:							
Interest	99.2	105.9	110.8	113.8	118.6	123.7	129.0
Other	136.9	142.0	163.2	174.3	183.8	195.7	209.7
Total, trust funds cash income	811.9	851.6	904.7	941.4	986.7	1,034.3	1,087.7
Offsetting receipts	–298.8	–318.5	–357.7	–359.5	–377.4	–400.9	–443.5
Total, unified budget receipts	1,453.1	1,505.4	1,566.8	1,643.3	1,727.3	1,808.3	1,896.7
Outlays:							
Federal funds cash outgo	1,161.9	1,214.5	1,274.5	1,317.2	1,355.0	1,365.3	1,397.7
Trust funds cash outgo	697.3	735.0	770.8	803.0	836.9	880.1	925.5
Offsetting receipts	–298.8	–318.5	–357.7	–359.5	–377.4	–400.9	–443.5
Total, unified budget outlays	1,560.3	1,631.0	1,687.5	1,760.7	1,814.4	1,844.5	1,879.7
Surplus or deficit (–):							
Federal funds	–221.9	–242.2	–254.5	–255.8	–237.0	–190.3	–145.2
Trust funds	114.7	116.7	133.9	138.4	149.9	154.2	162.2
Total, unified surplus/deficit (–)	–107.3	–125.6	–120.6	–117.4	–87.1	–36.1	17.0

Note: Receipts includes governmental, interfund, and proprietary receipts. Excludes intrafund receipts, which are offset against intrafund payments so that cash income and cash outgo are not overstated.

> tion today is that these programs are offsetting the Federal deficit by $124 billion and thereby masking the true size of the deficit. Although attention has been drawn to the large social security surpluses, trust fund programs overall actually have been running cash deficits.... On the whole, trust fund programs ran deficits in their cash transactions with the public in 19 of the last 21 years."[5]

> GAO: "As the unified budget is presently structured, the surpluses in the trust funds are merged with the rest of the budget, effectively masking the magnitude of those surpluses and the size of the deficit in the rest of the government.... Because the trust fund surpluses—especially those in Social Security—are growing so rapidly, the merger of trust and nontrust funds creates the erroneous impression that the deficit is under control and declining. In reality, the nontrust fund deficit has grown from $222 billion in 1987 to $255 billion in 1988 and is projected to reach $283 billion or more in 1989. The fact is that increased payroll taxes, levied to meet the long-term needs of the Social Security system, are being used to finance the current operating costs of the government."[6]

The critical difference between these views concerns the relevance of transactions between the two fund groups. These interfund transactions consist mostly of Federal fund payments to trust funds. They affect the bottom line of each fund group. For example, Treasury interest payments to the Social Security trust funds add to the Federal fund deficit, and the interest earnings add to the trust fund surplus. The CRS analysis excludes such payments because they are offset in the unified budget by an equal amount of collections, and together they have no net impact on the unified deficit. In contrast, GAO's analysis includes interfund transactions because they allocate the cost of Federal activities to the fund group that gives rise to the cost.

Because these views are representative of much of the debate over the responsibility for the unified deficit, they are discussed in greater detail below. However, neither is satisfactory for every purpose, and an alternative explanation is offered.

The Record Based on Transactions With the Public.—The unified deficit measures the Federal Government's net transactions with the public. It can be reduced only by increasing receipts from the public or by decreasing payments to the public. This is true whether the transactions with the public are by trust funds or by Federal funds. It can be said, therefore, that a fund group contributes to lower deficits if it collects more from the public than it pays to the public, and that it contributes to higher deficits if it pays more to the public than it collects from the public.

Measured on this basis, both fund groups are responsible for the unified deficit. As shown in Chart 17–1, payments to the public by both fund groups exceeded their income from the public in most years from 1960 to 1996. Trust funds were in deficit in 33 of the 37 years, and Federal funds were in deficit 33 years. Trust funds were responsible for $1.3 trillion of the cumu-

[5] Congressional Research Service, Trust Funds and the Federal Deficit, February 26, 1990, summary.

[6] General Accounting Office, Managing The Cost Of The Government, October 1989, p. 9.

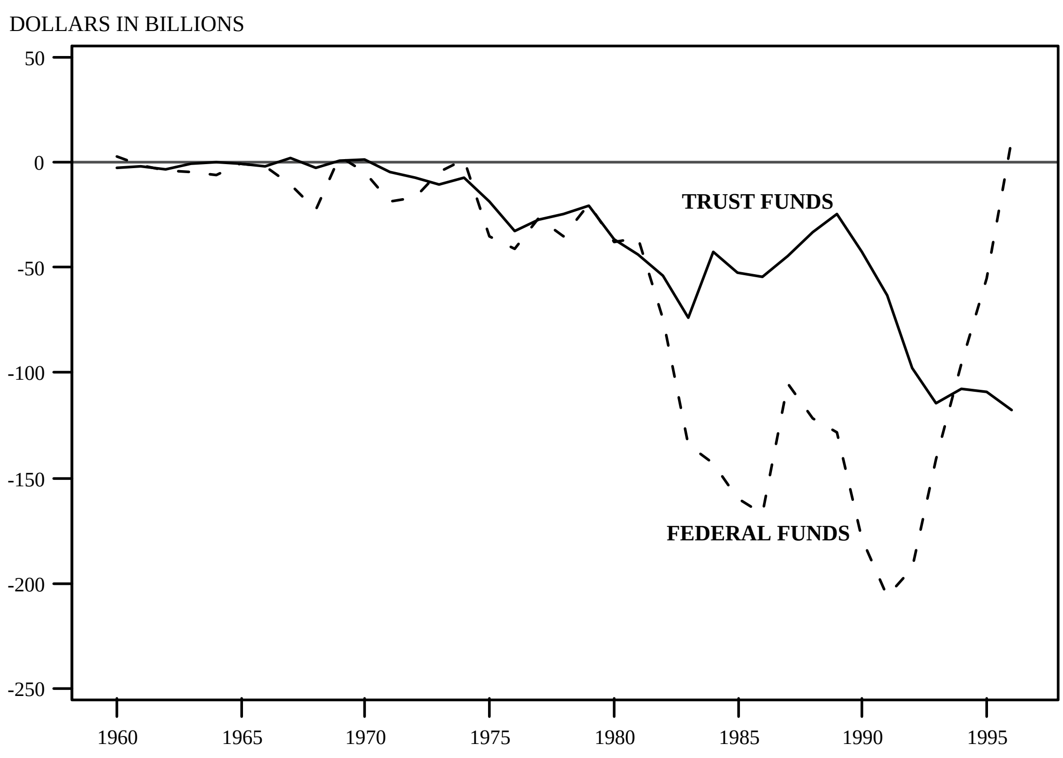
lative unified deficits over the period, and Federal funds were responsible for the other $2.2 trillion. Under the President's proposal to balance the budget by 2002, the trust funds deficit in its transactions with the public would increase each year. In contrast, Federal fund transactions with the public achieved a surplus in 1996, the first time in 22 years. This Federal funds surplus is estimated to grow to $64 billion by 2000.

It may be surprising that trust funds are adding to the unified deficit when they are simultaneously reporting large surpluses and balances in their total transactions. The experience varies among the individual trust funds. Consider the transactions of the public with the following eight major trust funds. Together, they ran a $115 billion surplus in 1996—100 percent of the total trust fund surplus—and held $1.3 trillion of balances—94 percent of the balance for all trust funds combined. Nevertheless, from 1960 to 1996, the combined payments to the public by these trust funds exceeded their combined income from the public by $1 trillion. (The status of fund tables in the Budget Appendix and in Table 3 of this chapter, unlike this discussion, which only considers transactions with the public, reflect all of the trust funds' transactions, including interest and other interfund collections.)

- The Highway Trust Fund is financed entirely by earmarked taxes on gasoline and other fuels and by interest earnings. Tax receipts exceeded the Fund's spending in more than half the years between 1960 and 1996. These surpluses were invested in Treasury securities, and together with the interest earnings, were used to finance spending in other years when spending exceeded tax collections. The current $22 billion balance is enough to fund about one year's spending.
- The two Social Security Trust Funds, Federal Old-Age and Survivors Insurance and Federal Disability Insurance, are financed primarily by payroll taxes. However they also receive additional income from the general fund in the form of interest earnings, Federal agencies' payments as employers for the social security benefits earned by military and Federal civilian employees, and Treasury payments for part of the estimated amount of income taxes paid on social security benefits. In 19 of the 26 years from 1960 through 1985, social security payments to the public exceeded payroll taxes. The Funds' cumulative payments to the public exceeded their cumulative collections from the public by $2 billion through 1978, and rose to $60 billion in 1985.[7] Largely due to the Greenspan Commission reforms, in 1986 social security began to run a surplus in its transactions with the public. In 1990 social security taxes exceeded payments to the public by $36 billion. Since then, social secu-

[7] If balances of net transactions with the public are credited with a prorated share of the Funds' interest earnings, the adjusted cumulative balance would still have turned negative, but not until 1984, and it would have remained negative until 1988.

17-1. NET TRANSACTIONS WITH THE PUBLIC BY FUND GROUP



rity taxes have continued to exceed payments to the public, but only by about half that amount each year.

- The Hospital Insurance (HI) Trust Fund (Medicare Part A) had a balance of $125 billion as of the end of 1996. This reflects interest and other interfund collections as well as collections from the public. However, when considering only payroll tax income, benefit payments, and other outlays to the public, it has run a deficit in these transactions with the public in 19 of 31 years since 1966.
- The Supplementary Medical Insurance (SMI) Trust Fund (Medicare Part B) is funded by premiums charged to enrollees, general fund subsidies, and interest payments. Premiums currently cover about one-quarter of SMI's expenditures with the remainder financed by interfund collections. These shares have changed significantly since SMI's early years of operation, beginning in 1967. In its first seven years, premiums covered half of the expenses. This share fell throughout the next decade, and by the early 1980s premiums covered only 22 percent of expenses. SMI's total balance, including interfund collections, stood at $27 billion at the end of 1996. However, its cumulative payments to the public exceeded its income from the public by $487 billion.

  The 1998 Budget proposes reforming Medicare by slowing the growth in provider payments and making Medicare more efficient and responsive to beneficiaries' needs. Additional information on Supplementary Medical Insurance and Hospital Insurance reforms can be found in Section V of the Budget Volume, "Creating Opportunity, Demanding Responsibility, and Strengthening Community."
- The Unemployment (UI) Trust Fund is funded primarily by taxes on employers. It also has interfund interest earnings, and it has been supplemented by large transfers from the general fund during periods of high and extended unemployment. Since 1960 UI has run deficits in its transactions with the public in 17 years. At the end of 1996 its total balance, including those due to interfund collections, was $54 billion. However, this balance was essentially due to interfund collections. Since 1960, UI's cumulative payments to the public have exceeded its income from the public by $32 billion.
- The Civil Service Retirement and Disability (CSRD) Trust Fund, which comprises almost all of the Federal Civilian Employees Retirement Funds shown in Table 17–3, is financed by Federal civilian employees' contributions, agencies' contributions on behalf of the employees, general fund payments that limit the growth in the unfunded liability, and interest earnings. In 1996, employee contributions were approximately 7 percent of total income to the Fund. Interfund collections made up the rest. CSRD has run a surplus in each year since 1960, and its balance has increased from $10 billion in 1960 to $393 billion in 1996. Because the Fund is intended to be funded mostly by payments from the Government as an employer, the buildup in balances is due to interfund payments. From 1960 through 1996, CSRD payments to the public exceeded its income from the public by $443 billion. The budget proposes to increase interfund payments to the CSRD Trust Fund by requiring agencies to contribute 1.51 percent more of base pay for Civil Service Retirement System employees for 1988–2002. The Budget also proposes to delay for three months the cost-of-living adjustment for civilian retirees and their survivors beginning in 1998 and continuing through 2002. In addition, the Budget proposes to increase employee contributions to the Civil Service and Federal Employees Retirement Systems beginning on January 1, 1999 and continuing through December 31, 2002. See Chapter 24 of Section VI of the *Budget* for more information on the President's proposals that affect civilian retirement.
- The Military Retirement Fund is financed entirely by payments by the Department of Defense on behalf of military employees, general fund payments for the unfunded liability existent when the Fund was created, and interest earnings. Since its inception in 1985, the Fund has run a surplus each year, and it had a $131 billion balance at the end of 1996. Because the fund receives no income from the public, the annual surpluses and the current balance are due totally to interfund payments. Over the same period, the Fund paid $253 billion of benefits to the public.

The Record if Interfund Transactions are Included.—Transactions with the public are not the only basis—and for some purposes may not be the best—for identifying the source of the unified budget deficit. Most interfund payments allocate the cost of Federal activities to the fund group that is responsible for the cost, and most interfund collections are valid reimbursements for the assumption of a cost by the fund that receives the collection. Including these interfund transactions, therefore, may provide a more reasonable measure of the contribution of each fund group to the overall deficit.

The bulk of interfund transactions are Federal fund payments to trust funds. In 1996, Federal funds paid $232 billion to trust funds, net of collections from trust funds. Almost 85 percent of these were payments by the Government as an employer to various retirement trust funds, interest on general fund borrowing of trust fund balances, and the general fund payment to SMI.

Payments by the Government as an employer to Federal employees retirement trust funds allow the total cost of employee compensation to be charged to the Federal fund programs that employ Federal workers, or to the general fund. These benefits do not show up as payments to the public for many years, and the eventual payments are recorded as trust fund outlays. But since the eventual payments result from commitments made in the course of carrying out past Federal fund activities, their impact on the unified deficit could be attributed to the Federal funds group. The interfund payments made for these purposes are a partial measure of the amount that could reasonably be attributed to Federal funds. In 1996, interfund payments for military and Federal civilian employee retirement were $56 billion.

Interest payments by the general fund on trust fund investments in Treasury debt appropriately recognize the time value of money to both the borrower and the lender. By law, trust fund balances are invested in Treasury securities, and the interest payments and collections are recorded as interfund transactions—increasing the trust funds surplus and the Federal funds deficit. This is efficient from the standpoint of cash management, and it is an effective method of recognizing the time value of money without forcing trust funds to invest in private securities, which are riskier and would raise the specter of direct Federal control over vast amounts of private resources. However, if permitted by law, trust fund balances could have been invested outside the Government and earned interest from the public. The general fund would have offset the loss of this source of financing by borrowing more from the public, which would have increased Federal fund interest outlays to the public. In terms of transactions with the public, the result would be substantially lower trust fund deficits and higher Federal fund deficits. But this would not mean that trust funds were less responsible—or Federal funds more responsible—for the unified deficit than under current practice. All taxes and programmatic spending would have been the same. Trust fund interest income was $99 billion in 1996, and it is expected to grow to $131 billion by the year 2002.

The SMI trust fund is different from other trust funds in that it is mostly funded by a general fund payment, and the payment is not compensation for services provided by the trust fund to the general fund. The payment is simply a general fund subsidy of trust fund spending. Interfund accounting therefore assigns the general fund its share of SMI payments to the public. The general fund payment was $62 billion in 1996.

Because fund accounting allocates costs between the two fund groups, it is inappropriate to exclude interfund transactions from the analysis of responsibility for the unified budget deficit. However, it does not follow automatically that trust fund surpluses and Federal fund deficits mean that Federal funds bear the sole responsibility for the unified budget deficit. That is a separable issue, and as the next section shows, more questionable.

Both Fund Groups Bear the Responsibility.—The Federal budget has been presented on a unified basis since 1968. Its purpose is to present in one place the totality of the Federal Government's fiscal operations.

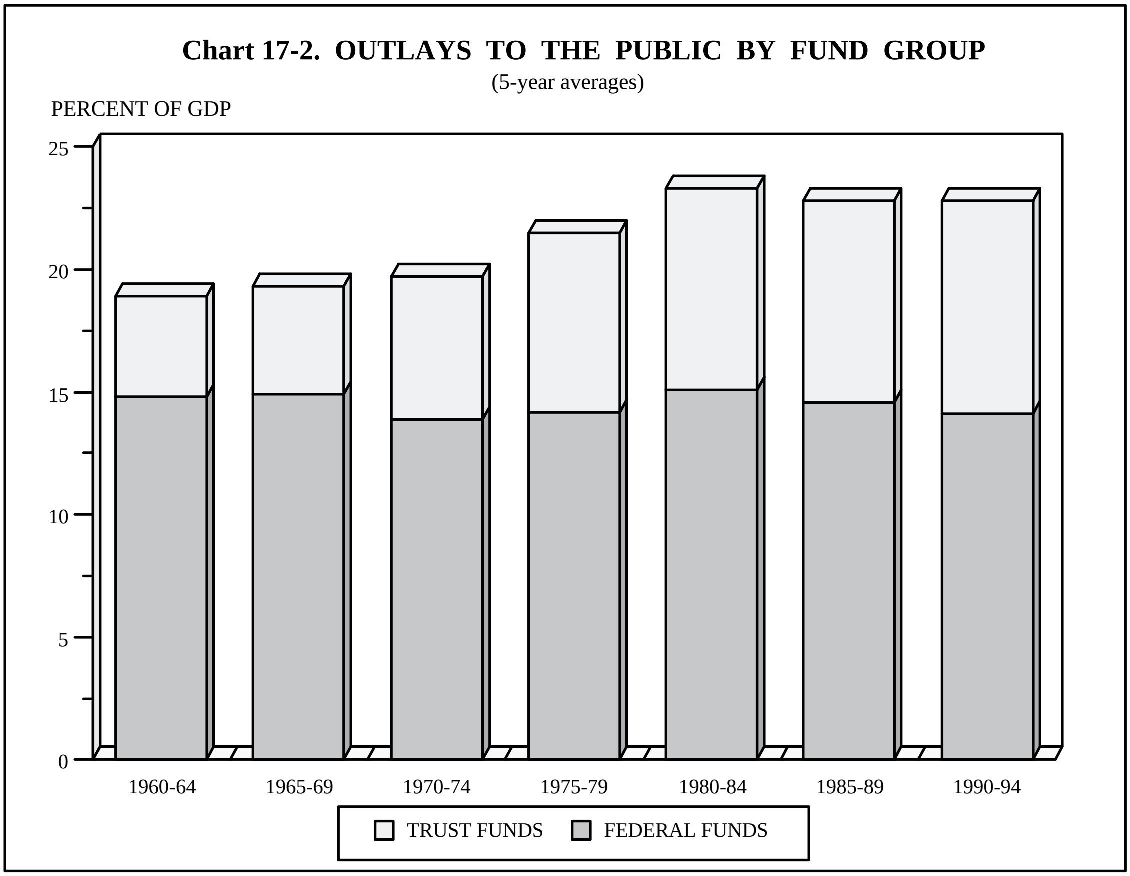
The most important information provided by the unified budget is (1) how much of the Nation's resources are used by the Government, and (2) how these resources are allocated among the many purposes of Government. By combining all receipts and spending in one budget, the implicit tradeoffs between public and private spending, and between Government programs, become more visible. The intention is that by surfacing these basic tradeoffs, conflicts over competing demands for the Nation's resources will be resolved, and the pieces of the budget will add to the desired total. However, there is no automatic mechanism that forces resolution of these conflicts. Congress can choose to use the budget to force the components of the budget to stay within targets for total receipts and spending, as it has for discretionary programs in the Budget Enforcement Act of 1990. Or it can allow tax and spending programs to occur autonomously without regard to what those actions have on other programs or on the budget totals.

The persistence of unified budget deficits over the past 3½ decades can be thought of as a financial indicator of the Nation's failure to resolve conflicting goals. The Nation has simultaneously desired to (1) increase spending by trust funds without decreasing spending by Federal funds, (2) hold the total tax burden constant while increasing taxes earmarked for trust funds, and (3) balance the total budget. One of these goals had to give. The trends in the totals for the fund groups and the unified budget tell how the conflict played out.

As shown in Chart 17–2, trust fund outlays to the public as a percent of GDP have increased in every five-year period since 1960, rising from 4.1 percent in the first half of the 1960s to 7.3 percent in the latter half of the 1970s, and rising even further to 8.7 percent in the first half of the 1990s.[8] Over the same period, Federal fund payments to the public moved up and down slightly but stayed between 14 and 15 percent of GDP. The combination of growing trust fund spending and constant Federal fund spending meant that total spending increased from 19 percent to 23 percent of GDP.

Because the norm has been for trust funds to be in balance, or to accumulate balances to fund future benefits, trust fund taxes were increased commensurately with the increase in trust fund outlays. As shown in Chart 17–3, trust fund receipts as a percent of GDP increased in every five-year period since 1960, rising from 3.7 percent in the first half of the 1960s to 6.0 percent in the latter half of the 1970s, and rising even further to 7.3 percent in the first half of the 1990s. However, unlike Federal fund outlays, Federal fund receipts did not stay the same when trust fund receipts rose. The increases in trust fund receipts were offset

[8] This section focuses on receipts and outlays as they are defined in the unified budget, instead of income and outgo. The difference is that proprietary receipts and interfund collections are offset against outlays in the unified budget, but they are considered income for a fund group. Since the comparisons over time are based on changes in shares of GDP, it is better to use receipts and outlays.



by decreases in Federal fund receipts, and total budget receipts remained constant at 18 to 19 percent of GDP.

What explains the growth in the unified budget deficit, therefore, is the basic conflict between the goal of expanding and fully funding one part of Government, and an unwillingness either to allow the total tax burden to increase or to reduce the rest of Government.[9] The Nation wanted to expand trust fund spending, and it said it was willing to finance that expansion. The latter could only have been accomplished by increasing the total tax burden or by reducing Federal fund spending. In fact, neither occurred. Taxes were shifted from Federal funds to trust funds, and the total tax burden remained the same. Federal fund spending remained constant, and total spending increased. If Federal fund taxes had stayed at the levels experienced in the first half of the 1960s, Federal fund tax receipts would have been much higher over the period, and the higher receipts plus the associated interest savings would have been sufficient to avoid most or all of the unified deficits. The same outcome could have been achieved by reducing Federal fund spending commensurately with the reduction in Federal fund taxes.

In short, the imbalances seen in the fund group and unified budget totals are symptomatic of the unresolved conflict over the size of Government and how it is to be financed. Instead of resolving this conflict, increases in trust fund spending have been "financed" at the expense of financing for Federal funds. In that sense, both fund groups are responsible for the unified budget deficit.

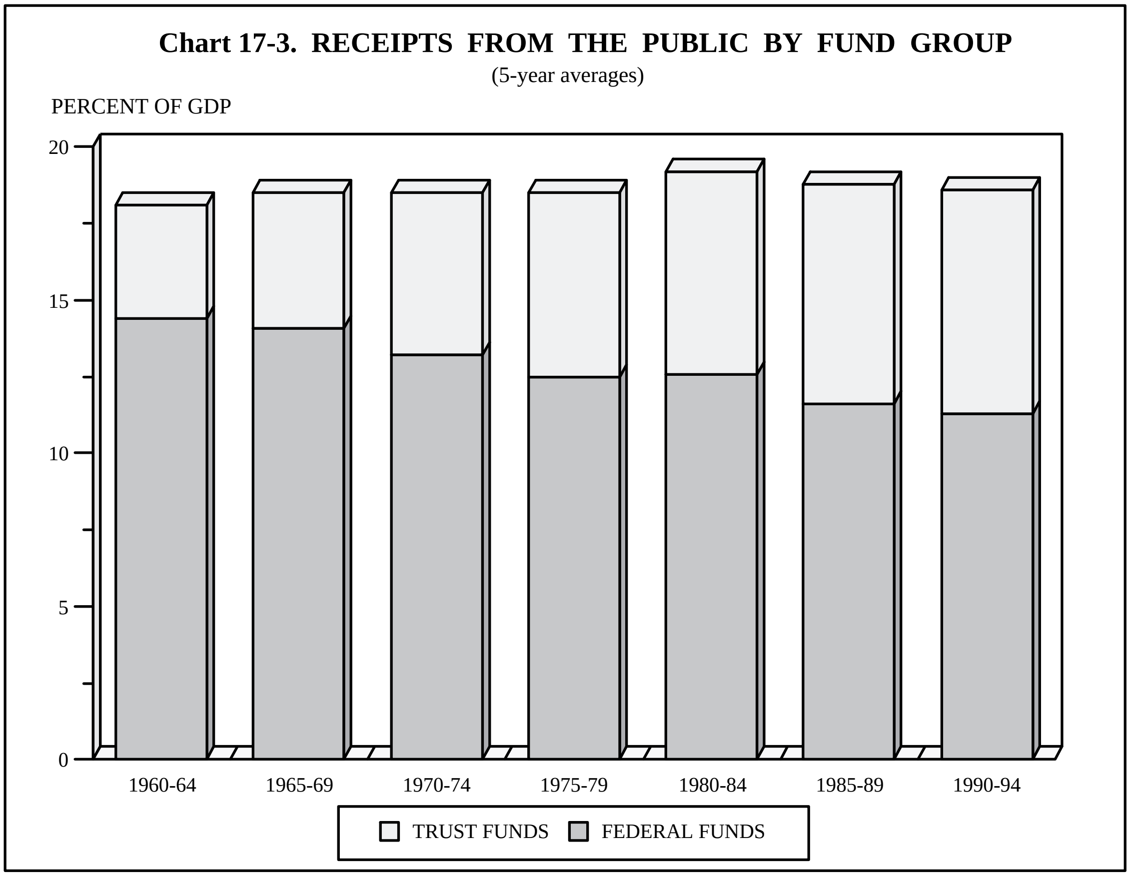
Income, Outgo, and Balances of Trust Funds

Table 17–2 shows the trust funds balance at the start of each year, income and outgo during the year, and the end of year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definition of income and outgo in this table differs from those in Table 17–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table but not in Table 17–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the amount of the offsetting collections. The difference is approximately $23 billion in 1996. This table, therefore, provides a more complete summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a con-

[9] For similar analyses, see *The Budget Deficit—Outlook, Implications, and Choices*, General Accounting Office, September 1990, pp.29–32; and John F. Cogan, "the Dispersion of Spending Authority and Federal Budget Deficits," in *The Budget Puzzle* by John F. Cogan, Timothy J. Muris, and Allen Schick, Stanford University Press, 1994, pp. 39–40.



sequence, trust fund balances will grow substantially, as they have over the past decade. The size of the anticipated balances is unprecedented, and it results mainly from relatively recent changes in the way some trust funds are financed.

Until the 1980s, most trust funds operated on a pay-as-you-go basis. Taxes and user fees were set at levels high enough to finance benefits and administrative expenses, and to maintain prudent reserves, generally defined as being equal to one year's expenditures. As a result, trust fund balances tended to grow at about the same rate as their annual expenditures.

Pay-as-you-go financing was replaced in the 1980s by full or partial accrual funding for some of the larger trust funds. In order to partially prefund the "baby-boomers" social security benefits, the Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. In 1985 a new system was set up to finance military retirement benefits on a full accrual basis. In 1986 full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The latter two changes require Federal agencies and their employees to make annual payments to the Federal employees' retirement trust funds in an amount equal to the value of the retirement benefits earned by employees in that year. Since many years will pass before current employees are paid retirement benefits, the trust funds will accumulate substantial balances over time.

Primarily because of these changes, but also because of the impact of real growth and inflation, trust fund balances increased sevenfold from 1982 to 1996, from $205 billion to $1.4 trillion. Under the proposals in the President's budget, the balances are estimated to increase by another 57 percent by the year 2002, rising to $2.2 trillion. Almost all of these balances are invested in Treasury securities and earn interest. Therefore, they effectively represent the value, in current dollars, of taxes and user fees that have been paid in advance for future benefits and services.

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. Unlike the assets of private pension plans, they do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, make it easier for the Government to pay benefits.

From an economic standpoint, the Government is able to prefund benefits only by increasing saving and investment in the economy as a whole. This can be fully accomplished only by simultaneously running trust fund surpluses equal to the actuarial present value of

Table 17–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Total Trust Funds							
Balance, start of year	1,275.8	1,390.5	1,506.4	1,640.1	1,778.5	1,928.3	2,082.6
Income:							
Governmental receipts	539.6	568.3	594.3	615.6	645.4	674.1	705.6
Proprietary receipts	43.0	42.4	43.5	45.5	47.5	49.8	52.9
Receipts from Federal funds:							
Interest	99.2	105.9	110.8	116.1	120.8	125.9	131.1
Other	152.7	158.4	180.5	189.7	200.1	212.8	227.7
Subtotal, income	834.5	875.1	929.1	966.9	1,013.8	1,062.6	1,117.3
Outgo:							
To the public	716.1	757.4	794.1	827.4	862.8	906.7	954.1
Payments to Federal funds	3.7	1.0	1.1	1.1	1.1	1.7	1.2
Subtotal, outgo	719.8	758.4	795.2	828.6	863.9	908.4	955.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	15.5	10.7	23.1	22.3	29.1	28.4	31.0
Interest	99.2	105.9	110.8	116.1	120.8	125.9	131.1
Subtotal, surplus or deficit (–)	114.7	116.7	133.9	138.4	149.9	154.2	162.1
Adjustments:							
Transfers/lapses (net)	–*	–0.8	–0.4	....	....	....	....
Other adjustments	0.1	0.1	0.1	....	....	....	....
Total, change in fund balance	114.7	115.9	133.6	138.4	149.9	154.2	162.1
Balance, end of year	1,390.5	1,506.4	1,640.1	1,778.5	1,928.3	2,082.6	2,244.7

*Less than $50 million.

the accumulating benefits and not allowing the Federal fund deficit to increase, so that the trust fund surplus reduces the unified budget deficit. This would reduce Federal borrowing by the amount of the trust funds surplus and increase the amount of national saving available to finance investment. Greater investment would increase future incomes and wealth, particularly if it increased the rate of productivity growth. In turn, this would make it possible for the trust funds to draw down on their investments in Treasury debt to pay future benefits without having to increase the burden on future workers by raising tax rates, reducing spending, or increasing Government borrowing.

Table 17–3 shows estimates of income, outgo, and balances for 1996 through 2002 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 17–2 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group. Additional information for these and other trust funds can be found in the Status of Funds tables in the Budget Appendix.

Table 17–4, which appears at the end of this chapter, shows income, outgo, and balances of four Federal funds—a revolving fund and three special funds. These funds are similar to trust funds in that they are financed by earmarked receipts, excesses of income over outgo are invested, the interest earnings add to balances, and the balances remain available to finance future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds in addition to the ones shown.

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Airport and Airway Trust Fund [1]							
Balance, start of year	11.4	7.9	7.8	7.7	5.2	3.9	3.3
Income:							
Governmental receipts	2.4	4.8	6.4	....	....	....	....
Proprietary receipts	*	*	*	....	....	....	....
Receipts from Federal funds:							
Interest	0.8	0.5	0.4	....	....	....	....
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	3.2	5.5	6.9	0.1	0.1	0.1	0.1
Outgo:							
To the public	6.7	5.5	7.0	2.6	1.4	0.8	0.5
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	6.7	5.5	7.0	2.6	1.4	0.8	0.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–4.2	–0.6	–0.5	–2.5	–1.3	–0.6	–0.4
Interest	0.8	0.5	0.4	....	....	....	....
Subtotal, surplus or deficit (–)	–3.5	–0.1	–0.1	–2.5	–1.3	–0.6	–0.4
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–3.5	–0.1	–0.1	–2.5	–1.3	–0.6	–0.4
Balance, end of year	7.9	7.8	7.7	5.2	3.9	3.3	2.9
Federal Employees Health Benefits Fund							
Balance, start of year	7.8	7.4	7.1	6.9	6.8	7.0	7.1
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	4.1	4.3	4.6	5.7	6.4	6.7	7.1
Receipts from Federal funds:							
Interest	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other	11.2	11.6	12.3	12.2	13.0	13.8	14.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	15.7	16.3	17.4	18.4	19.9	21.0	22.4
Outgo:							
To the public	16.1	16.6	17.5	18.5	19.8	20.8	22.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	16.1	16.6	17.5	18.5	19.8	20.8	22.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.9	–0.8	–0.6	–0.6	–0.4	–0.3	–0.4
Interest	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Subtotal, surplus or deficit (–)	–0.4	–0.3	–0.1	–0.1	0.1	0.2	0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.4	–0.3	–0.1	–0.1	0.1	0.2	0.1
Balance, end of year	7.4	7.1	6.9	6.8	7.0	7.1	7.2
Federal Civilian Employees Retirement Funds							
Balance, start of year	374.3	401.7	430.9	461.1	491.0	520.7	550.6
Income:							
Governmental receipts	4.5	4.3	4.3	4.4	4.5	4.6	4.6
Proprietary receipts	....	....	....	....	....	....	....

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Receipts from Federal funds:							
Interest	29.2	31.4	32.8	33.7	34.1	34.7	35.3
Other	34.1	35.5	36.8	37.7	39.0	40.4	42.0
Receipts from Trust funds	*	*	*	*	*	*	*
Subtotal, income	67.8	71.2	73.9	75.7	77.6	79.7	82.0
Outgo:							
To the public	40.3	42.0	43.8	45.8	47.8	49.9	52.1
Payments to Other funds	*	*	*	*	*	*	*
Subtotal, outgo	40.3	42.0	43.8	45.8	47.8	49.9	52.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.7	–2.2	–2.7	–3.7	–4.3	–4.8	–5.4
Interest	29.2	31.4	32.8	33.7	34.1	34.7	35.3
Subtotal, surplus or deficit (–)	27.5	29.2	30.1	29.9	29.8	29.9	29.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	....	*	....	....	....	....
Total, change in fund balance	27.5	29.2	30.1	29.9	29.8	29.9	29.9
Balance, end of year	401.7	430.9	461.1	491.0	520.7	550.6	580.5
Federal Old-Age, Survivors and Disability Insurance Trust Funds							
Balance, start of year	483.2	549.6	625.4	705.9	794.1	890.1	991.5
Income:							
Governmental receipts	367.5	388.9	404.9	425.2	446.9	467.6	489.9
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	36.5	41.2	45.2	49.2	53.2	57.3	61.6
Other	14.4	15.6	16.9	18.0	19.3	20.5	22.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	418.4	445.7	467.1	492.5	519.4	545.4	573.4
Outgo:							
To the public	347.8	365.7	382.4	400.0	419.0	439.3	460.9
Payments to Other funds	4.2	4.1	4.2	4.3	4.3	4.8	4.4
Subtotal, outgo	352.0	369.9	386.6	404.3	423.4	444.1	465.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	29.9	34.6	35.3	39.0	42.9	44.1	46.6
Interest	36.5	41.2	45.2	49.2	53.2	57.3	61.6
Subtotal, surplus or deficit (–)	66.4	75.9	80.5	88.2	96.0	101.3	108.2
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	....	....	....	....	....	....
Total, change in fund balance	66.4	75.9	80.5	88.2	96.0	101.3	108.2
Balance, end of year	549.6	625.4	705.9	794.1	890.1	991.5	1,099.6
Foreign Military Sales Trust Fund							
Balance, start of year	5.5	5.9	6.0	6.1	6.1	6.0	5.9
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	14.7	13.8	13.4	12.7	12.1	11.8	11.8
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	14.7	13.8	13.4	12.7	12.1	11.8	11.8
Outgo:							
To the public	14.3	13.7	13.3	12.8	12.1	12.0	11.9

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	14.3	13.7	13.3	12.8	12.1	12.0	11.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit (–)	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	....	....	....	....	....	....
Total, change in fund balance	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Balance, end of year	5.9	6.0	6.1	6.1	6.0	5.9	5.7
Highway Trust Fund							
Balance, start of year	19.0	21.6	24.4	27.7	31.4	34.9	39.0
Income:							
Governmental receipts	24.7	24.9	24.7	25.3	25.8	26.6	27.1
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	1.3	1.3	1.4	1.6	1.7	1.8	2.0
Other	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, Income	26.0	26.3	26.3	27.0	27.7	28.5	29.2
Outgo:							
To the public	23.4	23.5	22.9	23.4	24.2	24.4	24.8
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, Outgo	23.4	23.5	22.9	23.4	24.2	24.4	24.8
Change in fund balance:							
Surplus or deficit:							
Excluding interest	1.3	1.4	2.0	2.1	1.8	2.3	2.4
Interest	1.3	1.3	1.4	1.6	1.7	1.8	2.0
Subtotal, surplus or deficit	2.6	2.8	3.4	3.7	3.5	4.1	4.4
Adjustments:							
Transfers/lapses (net)	–*	–*	–*	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, Change in fund balance	2.6	2.7	3.4	3.7	3.5	4.1	4.4
Balance, End of Year	21.6	24.4	27.7	31.4	34.9	39.0	43.4
Medicare: Federal Hospital Insurance (HI) Trust Fund							
Balance, start of year	129.5	125.3	115.3	117.4	119.7	124.6	127.0
Income:							
Governmental receipts	105.0	109.2	114.2	120.0	126.3	132.4	139.0
Proprietary receipts	1.1	1.3	1.2	1.3	1.3	1.4	1.5
Receipts from Federal funds:							
Interest	10.4	9.9	9.2	9.1	8.9	8.8	8.7
Other	7.0	7.5	7.4	8.0	8.5	9.0	9.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	123.5	128.0	132.1	138.4	145.1	151.7	158.8
Outgo:							
To the public	125.3	138.1	130.0	136.0	140.3	149.3	157.5
Payments to Other funds	2.4	....	....	....	....	....	....
Subtotal, outgo	127.7	138.1	130.0	136.0	140.3	149.3	157.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–14.6	–20.0	–7.1	–6.7	–4.1	–6.4	–7.4
Interest	10.4	9.9	9.2	9.1	8.9	8.8	8.7

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Subtotal, surplus or deficit (–)	–4.2	–10.1	2.1	2.4	4.8	2.5	1.3
Adjustments:							
Transfers/lapses (net)	....	–*	....	....	....	....	....
Other adjustments	–*	*	....	....	....	....	....
Total, change in fund balance	–4.2	–10.1	2.1	2.4	4.8	2.5	1.3
Balance, end of year	125.3	115.3	117.4	119.7	124.6	127.0	128.3
Medicare: Federal Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	13.9	27.0	30.3	31.5	32.2	32.9	33.6
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	18.9	19.0	20.6	22.4	24.3	26.4	29.0
Receipts from Federal funds:							
Interest	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Other	61.7	59.4	78.1	84.1	89.6	97.3	106.5
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	82.0	79.8	100.1	108.0	115.3	125.2	137.0
Outgo:							
To the public	68.9	76.5	98.9	107.3	114.6	124.5	136.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	68.9	76.5	98.9	107.3	114.6	124.5	136.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	11.7	1.9	–0.3	–0.8	–0.8	–0.8	–0.7
Interest	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Subtotal, surplus or deficit (–)	13.1	3.3	1.2	0.7	0.7	0.7	0.8
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	–*	....	....	....	....	....
Total, change in fund balance	13.1	3.3	1.2	0.7	0.7	0.7	0.8
Balance, end of year	27.0	30.3	31.5	32.2	32.9	33.6	34.4
Military Retirement Fund							
Balance, start of year	126.7	131.2	139.1	146.0	152.7	159.6	166.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	11.5	11.6	11.8	12.0	12.3	12.5	12.7
Other	21.9	26.3	26.4	27.1	28.0	28.9	30.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	33.4	37.9	38.2	39.1	40.3	41.4	42.7
Outgo:							
To the public	28.8	30.1	31.3	32.4	33.5	34.5	35.5
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	28.8	30.1	31.3	32.4	33.5	34.5	35.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–7.0	–3.8	–4.9	–5.3	–5.5	–5.6	–5.6
Interest	11.5	11.6	11.8	12.0	12.3	12.5	12.7
Subtotal, surplus or deficit (–)	4.5	7.8	6.9	6.7	6.8	6.9	7.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	4.5	7.8	6.9	6.7	6.8	6.9	7.1
Balance, end of year	131.2	139.1	146.0	152.7	159.6	166.5	173.6

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Railroad Retirement Trust Funds [2]							
Balance, start of year	13.4	14.0	14.7	15.3	15.9	16.2	16.4
Income:							
Governmental receipts	3.9	3.9	3.9	3.9	3.8	3.8	3.8
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Other	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Receipts from Trust funds	3.6	3.8	3.9	4.0	4.0	3.9	4.0
Subtotal, income	8.8	9.1	9.0	9.1	9.1	9.0	9.1
Outgo:							
To the public	8.0	8.1	8.2	8.3	8.5	8.6	8.7
Payments to Other funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, outgo	8.3	8.4	8.5	8.6	8.7	8.8	8.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.6	–0.4	–0.5	–0.5	–0.6	–0.8	–0.7
Interest	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Subtotal, surplus or deficit (–)	0.5	0.7	0.5	0.5	0.4	0.2	0.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	0.1	0.1	0.1	....	....	....	....
Total, change in fund balance	0.6	0.8	0.6	0.5	0.4	0.2	0.3
Balance, end of year	14.0	14.7	15.3	15.9	16.2	16.4	16.7
Unemployment Trust Fund							
Balance, start of year	47.9	54.0	61.1	67.5	74.1	80.7	87.3
Income:							
Governmental receipts	28.6	29.5	30.5	31.8	32.8	33.7	35.8
Proprietary receipts	*	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	3.4	3.6	3.9	4.1	4.1	4.3	4.4
Other	0.4	0.6	0.6	0.6	0.6	0.7	0.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	32.4	33.7	35.0	36.5	37.6	38.7	40.9
Outgo:							
To the public	26.2	26.6	28.6	29.9	30.9	32.1	33.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	26.2	26.6	28.6	29.9	30.9	32.1	33.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	2.8	3.5	2.6	2.5	2.5	2.3	3.4
Interest	3.4	3.6	3.9	4.1	4.1	4.3	4.4
Subtotal, surplus or deficit (–)	6.2	7.1	6.5	6.5	6.7	6.6	7.7
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	6.2	7.1	6.5	6.5	6.7	6.6	7.7
Balance, end of year	54.0	61.1	67.5	74.1	80.7	87.3	95.1
Veterans Life Insurance Trust Funds							
Balance, start of year	13.6	13.7	13.6	13.5	13.3	13.1	12.7
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.9	0.9	0.9	0.5	0.5	0.4	0.4
Receipts from Federal funds:							
Interest	1.2	1.2	1.1	1.4	1.3	1.3	1.2
Other	*	*	*	*	*	*	*

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	2.1	2.1	2.0	1.9	1.8	1.7	1.6
Outgo:							
To the public	2.1	2.1	2.1	2.1	2.1	2.0	2.0
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	2.1	2.1	2.1	2.1	2.1	2.0	2.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.1	–1.2	–1.2	–1.6	–1.6	–1.6	–1.6
Interest	1.2	1.2	1.1	1.4	1.3	1.3	1.2
Subtotal, surplus or deficit (–)	0.1	–0.1	–0.1	–0.2	–0.3	–0.3	–0.4
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	–*	*	....	....	....	....
Total, change in fund balance	0.1	–0.1	–0.1	–0.2	–0.3	–0.3	–0.4
Balance, end of year	13.7	13.6	13.5	13.3	13.1	12.7	12.4
Other Trust Funds [2]							
Balance, start of year	29.7	31.1	30.7	33.4	35.9	38.6	41.6
Income:							
Governmental receipts	3.2	2.8	5.3	5.0	5.2	5.3	5.4
Proprietary receipts	3.1	3.1	2.8	2.9	2.9	3.0	3.1
Receipts from Federal funds:							
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Other	1.7	1.6	1.5	1.5	1.6	1.6	1.6
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	10.0	9.5	11.7	11.6	11.9	12.1	12.4
Outgo:							
To the public	8.1	8.7	8.1	8.4	8.6	8.5	8.5
Payments to Other funds	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Subtotal, outgo	8.6	9.2	8.7	9.0	9.2	9.1	9.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.5	–1.7	0.9	0.4	0.5	0.8	1.0
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Subtotal, surplus or deficit (–)	1.4	0.3	3.0	2.6	2.7	3.0	3.3
Adjustments:							
Transfers/lapses (net)	–*	–0.7	–0.4	....	....	....	....
Other adjustments	*	–*	*	....	....	....	....
Total, change in fund balance	1.4	–0.4	2.7	2.6	2.7	3.0	3.3
Balance, end of year	31.1	30.7	33.4	35.9	38.6	41.6	44.9

* Less than $50 million

Note: Balances shown include committed and uncommitted cash balances.

[1] The aviation excise taxes are proposed to be reinstated effective April 1, 1997, resulting in an estimated uncommitted cash balance of $0.5 billion at the end of 1998. In addition, the Administration proposes that aviation excise taxes be repealed effective October 1, 1998, and replaced with cost-based user fees. Additional information on these proposed changes to the Airport and Airway Trust Fund can be found in Chapter 4 ''User Fees and Other Collections'' and Chapter 3 ''Federal Receipts'' of the *Analytical Perspectives.*

[2] Trust fund borrowing and repayment from the general fund of the Treasury has been revised to reflect the changes explained in the ''Income and Outgo by Fund Group'' section of this chapter. This change affects the Railroad Social Security Equivalent Benefit Account (Railroad Retirement Trust Funds) and the Black Lung Disability Trust Fund (Other Trust Funds).

Table 17–4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Abandoned Mine Reclamation Fund							
Balance, start of year	1.3	1.4	1.5	1.7	1.8	1.9	2.0
Income:							
Governmental receipts	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Outgo:							
To the public	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	*	*	*	*	0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit (–)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	*	....	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Balance, end of year	1.4	1.5	1.7	1.8	1.9	2.0	2.2
Nuclear Waste Disposal Fund							
Balance, start of year	4.7	5.3	6.1	6.9	7.8	8.8	9.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Receipts from Federal funds:							
Interest	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.8	1.0	1.0	1.1	1.2	1.2	1.3
Outgo:							
To the public	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Interest	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Subtotal, surplus or deficit (–)	0.6	0.8	0.8	0.9	1.0	1.0	1.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	–*	–*	....	....	....	....
Total, change in fund balance	0.6	0.8	0.8	0.9	1.0	1.0	1.1
Balance, end of year	5.3	6.1	6.9	7.8	8.8	9.8	10.9
Overseas Private Investment Corporation							
Balance, start of year	2.1	2.3	2.5	2.6	2.9	3.2	3.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	....	*	*	*	*	*	*

Table 17–4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Outgo:							
To the public	*	*	0.1	0.1	0.1	0.1	0.1
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	*	*	0.1	0.1	0.1	0.1	0.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	0.1	0.1	0.1	0.1	0.1
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit (–)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Adjustments:							
Transfers/lapses (net)	–*	–*	–0.1	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Balance, end of year	2.3	2.5	2.6	2.9	3.2	3.5	3.8
Uranium Enrichment Decontamination and Decommissioning Fund							
Balance, start of year	0.3	0.5	0.8	1.2	1.6	2.1	2.7
Income:							
Governmental receipts	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	*	*	0.1	0.1	0.1	0.1	0.2
Other	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.5	0.6	0.6	0.6	0.7	0.7	0.8
Outgo:							
To the public	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.2	0.3	0.4	0.4	0.5	0.5	0.6
Interest	*	*	0.1	0.1	0.1	0.1	0.2
Subtotal, surplus or deficit (–)	0.2	0.4	0.4	0.4	0.5	0.5	0.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.2	0.4	0.4	0.4	0.5	0.5	0.6
Balance, end of year	0.5	0.8	1.2	1.6	2.1	2.7	3.3

* Less than $50 million

Note: Balances shown include committed and uncommitted cash balances.